

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 OMB-01 TRSE-00 CIAE-00 DODE-00
PM-04 H-01 INR-07 L-03 NSAE-00 NSC-05 PA-01
PRS-01 SP-02 SS-15 USIA-06 AID-05 CEA-01 COME-00
EB-07 FRB-03 EPG-02 STR-04 LAB-04 SIL-01 /086 W
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R 301621Z JUN 77
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 5701
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY THE HAGUE
AMCONSUL BELFAST
AMCONSUL EDINBURGH

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 10847

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E.O.11652: GDS
TAGS: EEC, EGEN, PINT, PGOV, UK
SUBJECT: BRITAIN AND THE EUROPEAN COMMUNITY: THE
GROWING DEBATE

REF: (A) LONDON 7034; (B) LONDON 9300; (C) LONDON 4648
(D) LONDON 10614

SUMMARY. QUESTION OF CONTINUED EUROPEAN COMMUNITY MEMBER
SHIP IS RE-EMERGING TODAY AS A LIVE ISSUE IN BRITISH POL-
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ITICS. THE ANTI-EC ELEMENTS IN THE LABOR PARTY, WITH
ENERGY MINISTER TONY BENN IN A PROMINENT POSITION, HAVE
TRANSFORMED THEIR OPPOSITION TO INDIVIDUAL EC POLICIES
SUCH AS THE CAP AND DIRECT ELECTIONS, INTO AN ATTACK ON
THE PRINCIPLE OF COMMUNITY MEMBERSHIP. CAPITALIZING ON
THE BROADENED DISENCHANTMENT WITH THE COMMUNITY FELT BY
MANY PEOPLE IN BRITAIN AND PERHAPS TO DIVERT ATTENTION

FROM LABOR'S MANIFOLD PROBLEMS, THE LABOR ANTI-MARKETEERS HAVE SEIZED ON THE EC QUESTION AS AN ISSUE WHICH THE LABOR PARTY CAN USE ADVANTAGEOUSLY IN THE NEXT GENERAL ELECTION. END SUMMARY.

1. THERE IS A GROWING DEBATE, BOTH AMONG THE PUBLIC AND BETWEEN THE LABOR PARTY'S PRO AND ANTI-MARKETEERS, OVER THE BALANCE OF BENEFITS TO BRITAIN FROM COMMUNITY MEMBERSHIP. COMING IRONICALLY JUST AS FINAL INTERNAL TARIFFS ARE LOWERED ON JULY 1 TO MAKE BRITAIN A FULL PARTNER IN THE CUSTOMS UNION FOR THE FIRST TIME, THE ESSENTIAL QUESTION BEING POSED IS WHETHER THE UK IS ECONOMICALLY WORSE OFF BECAUSE OF EC MEMBERSHIP THAN IT WOULD HAVE BEEN OTHERWISE.

2. THE RENEWED ANTI-MARKET CAMPAIGN BEGAN IN EARNEST RECENTLY FOLLOWING THREE DEVELOPMENTS: THE UNEXPECTED BY-ELECTION VICTORY OF A MODERATE, BUT ANTI-EC LABOR CANDIDATE IN THE RECENT GRIMSBY BY-ELECTION (REF A); THE LEFT-WING TRIBUNE GROUP'S DECISION TO REOPEN THE MEMBERSHIP QUESTION; AND TONY BENN'S PRESS CONFERENCE TO RELEASE A COMMON MARKET SAFEGUARDS COMMITTEE PAMPHLET URGING THE SAME OBJECTIVE (REF B). THE LABOR PARTY IS ALSO OFFICIALLY ON RECORD OPPOSING DIRECT ELECTIONS TO EUROPEAN PARLIAMENT (REF C), BUT THE ANTI-EC CAMPAIGN IS STRESSING ECONOMIC ISSUES. IT IS BEING ASSERTED THAT SINCE BRITAIN

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JOINED THE EC:

-- PRICES ARE UP BECAUSE TAXPAYERS AND CONSUMERS ARE PAYING MORE FOR FOOD AS WELL AS HEAVY SUBSIDIES TO EUROPEAN FARMERS;

-- UNEMPLOYMENT HAS RISEN STEADILY, RATHER THAN MORE JOBS BEING CREATED;

-- DOMESTIC INVESTMENT HAS FALLEN, WITH FIVE TIMES AS MUCH BRITISH CAPITAL BEING INVESTED IN THE EC AS IS BEING INVESTED BY THE EC COUNTRIES IN THE UK; AND,

-- THE TRADE DEFICIT WITH THE ORIGINAL SIX MEMBERS HAS SHOT UP DRAMATICALLY SINCE BRITAIN ENTERED THE EC, REACHING TWO AND ONE-HALF BILLION POUNDS LAST YEAR.

3. OBVIOUSLY NO ONE QUESTIONS THAT BRITAIN HAS SUFFERED SERIOUS ECONOMIC DIFFICULTIES DURING THE PAST FEW YEARS--THE DEBATE IS OVER WHERE TO LAY THE BLAME AND WHERE TO FIND THE CURE, WHILE SIMULTANEOUSLY POSITIONING FOR THE NEXT GENERAL ELECTION. CALLAGHAN IS CAUGHT BETWEEN HIS OWN LEFT AND RIGHT, WITH ONE OF THE MOST IMMEDIATE ISSUES BEING HOW, IF POSSIBLE, TO MEET THE UK'S COMMITMENT ON DIRECT ELECTIONS WITHOUT ACCENTUATING INTERNAL PARTY DIVISIONS (REF B). HE HAS NOT DIRECTLY CHALLENGED THE

ANTI-EC GROUP, BUT HAS CERTAINLY SPOKE OUT IN DEFENSE OF UK MEMBERSHIP. AND, HE STRONGLY REAFFIRMED HIS GOVERNMENT'S INTENTION OF PARTICIPATING IN DIRECT ELECTION AND HAS PUBLISHED ITS LONG-AWAITED BILL (REF D) ON THIS ISSUE.

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4. MEANWHILE, THE TORIES ARE INCREASINGLY STAKING OUT A COMMITMENT TO EUROPE. THATCHER, WHITELAW, SOAMES AND OTHERS CARRY THEIR CONTINUING ATTACK ON FUNDAMENTAL LABOR ECONOMIC POLICIES INTO THE DEBATE ON COMMUNITY MEMBERSHIP WITH EASY CONSISTENCY: THERE MAY BE SOME PROBLEMS ASSOCIATED WITH COMMUNITY MEMBERSHIP, BUT THE BASIC ECONOMIC FAULT IS LABOR-CAUSED AND BRITAIN WILL BE BETTER OFF IN EUROPE AS PART OF A LARGER GROUP THAN GOING IT INDEPENDENTLY. THE LATTER POINT, OF COURSE, IS ALSO USED BY LABOR PRO-MARKETEERS IN THEIR ARGUMENTS WITH THEIR PROTAGONISTS WITHIN THE PARTY.

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5. IT IS DIFFICULT TO ACCESS HOW WIDE-SPREAD ANTI-COMMUNITY FEELING EXTENDS TO THE GENERAL ELECTORATE, BUT THOSE INDICATORS WHICH ARE AVAILABLE -- E.G. THE GRIMSBY BY-ELECTION AND OPINION POLL DATA -- SUGGEST IT IS FAIRLY PREVALENT. THOUGH THE FORMULATION OF THE QUESTION, THE NATURE OF SPECIFIC ISSUES AND REGIONAL CONSIDERATIONS ARE FACTORS WHICH AFFECT PERCEPTIONS OF PUBLIC ATTITUDES. ONE THING APPEARS TO BE CLEAR, HOWEVER. AN INCREASING NUMBER OF PEOPLE ARE COMING TO LINK IN THEIR MINDS ECONOMIC PROBLEMS AND COMMUNITY MEMBERSHIP. THE PROXIMITY IN TIME OF THESE TWO ELEMENTS, REINFORCED BY THE ANTI-MARKETEERS' ATTEMPTS TO DEMONSTRATE A CAUSAL RELATIONSHIP, APPEARS TO BE ATTRACTING GREATER NUMBERS. AN OPINION POLL CONDUCTED LAST WEEK IN THE NORTHWEST FOUND 53 PERCENT OF THE SAMPLE WANTING TO WITHDRAW FROM THE COMMUNITY AND ONLY 44 PERCENT OPTING TO STAY IN. THE POLL ALSO SHOWED THAT 72 PERCENT OF THOSE INTERVIEWED FELT THEY HAD LOST RATHER THAN BENEFITED FROM COMMUNITY MEMBERSHIP.

6. AS A RESULT OF THESE DEVELOPMENTS, LABOR ANTI-MARKETEERS AND OTHERS CONCERNED WITH LABOR'S ELECTORAL PROSPECTS PERCEIVE THE EC MEMBERSHIP ISSUE AS A POSSIBLE MEANS TO IMPROVE LABOR'S CHANCES IN THE NEXT GENERAL ELECTION. IT IS, OF COURSE, PREMATURE TO PREDICT HOW ANTI-EC ATTITUDES WILL EVOLVE IN THE COMING MONTHS OR HOW THEY WILL IMPACT UPON ELECTORAL CAMPAIGN STRATEGIES. THE FACT THAT THE MEMBERSHIP ISSUE HAS RESURFACED, HOWEVER, SUGGESTS WE WILL BE HEARING MORE ON THIS SUBJECT.

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